Office - Supreme Court, U. S.
FILED
SEP 24 1941
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

October Term, 1941

No. 557

HANCOCK OIL COMPANY,

Petitioner,

vs.

UNIVERSAL OIL PRODUCTS COMPANY,

Respondent.

On Petition for Writ of Certiorari to the United States Circuit Court of Appeals for the Ninth Circuit.

RESPONDENT'S BRIEF.

FREDERICK S. LYON,
LEONARD S. LYON,
811 West Seventh Street Building, Los Angeles,
Attorneys for Respondent.

Parker & Baird Company, Law Printers, Los Angeles.

SUBJECT INDEX.

PAGE

Introduction 1

There is no conflict of decision respecting the rule of law upon which the Court of Appeals herein predicates its decision..... 6

(1) The dismissal of the appeal from the order denying leave to amend the answer..... 6

(2) The affirmance of the order denying leave to amend counterclaim 6

Conclusion 11

TABLE OF AUTHORITIES CITED.

CASES.

PAGE

American Construction Co. v. Jacksonville, Tampa & Key West Ry. Co., 148 U.S. 372, 384, 37 L. ed. 486, 491 4

American Grain Separator Co. v. Twin City Separator Co., 202 F. 202, 206 (C.C.A. 8) 5

Hancock Oil Co. v. Universal Oil Products Co., 115 F. 2nd 45 (C.C.A. 9) 2, 3, 5

Hancock Oil Co. v. Universal Oil Products Co., 120 F. 2nd 959 (C.C.A. 9) 1, 3, 5, 6, 7, 8, 9, 10

In-A-Floor Safe Co. v. Diebold S. & L. Co., 91 F. 2nd 341 (C.C.A. 9) 5

John Simmons Co. v. Grier Bros. Co., 258 U.S. 82, 89, 66 L. ed. 475, 479 4

Liverpool & London & Globe Ins. Co. v. Nebraska Storage Warehouses, Inc., 96 F. 2nd 30, 37 (C.C.A. 8) 5

Universal Oil Products Co. v. The Texas Co., D.C. N.D. Ill. 9

Universal Oil Products Co. v. Winkler-Koch Eng. Co. and Globe Oil & Refg. Co., in Equity No. 10744, D.C. N.D. Ill., decided July 27, 1938 8

STATUTES.

Equity Rule 19 ..... 5, 7

Judicial Code, U.S., Sec. 128 (a), 28 USCA Sec. 225 (a) 2, 6

Judicial Code, U.S., Sec. 128 (b), 28 USCA Sec. 225 (b) 2, 6

Judicial Code, U.S., Sec. 129, 28 USCA Sec. 227 ..... 2, 6

R.C.P. Rule 13, subd. (f) 5, 10

R.C.P. Rule 15 ..... 5, 8

R.C.P. Rule 86 5

IN THE

Supreme Court of the United States

October Term, 1941

No. .....

HANCOCK OIL COMPANY,

Petitioner,

vs.

UNIVERSAL OIL PRODUCTS COMPANY,

Respondent.

On Petition for Writ of Certiorari to the United States Circuit Court of Appeals for the Ninth Circuit.

RESPONDENT'S BRIEF.

To the Honorable Chief Justice and the Associate Justices of the Supreme Court of the United States:

Petitioner, Hancock Oil Company of California, by the petition for writ of certiorari prayed, seeks a review by Your Honors of a judgment and decree of the United States Circuit Court of Appeals for the Ninth Circuit affirming an interlocutory order of the United States District Court for the Southern District of California made in this case.

As pointed out in the majority opinion of the said United States Circuit Court of Appeals for the Ninth Circuit (120 F. 2nd 959), this interlocutory order was

a denial [R. 340-41]* of belated motions for leave to file (1) an amended and supplemental answer [R. 54-55] and (2) an amendment to its counterclaim [R. 128-29].

Petitioner, Hancock Oil Company, appealed to said United States Circuit Court of Appeals for the Ninth Circuit from the denial of said motions. It predicated its appeal upon *Jud. Code U. S., Sec. 129, 28 U. S. C. A., Sec. 227.*

Respondent moved said Circuit Court of Appeals to dismiss said appeal upon the ground that the order appealed from was not a final order so as to be appealable and therefore said United States Circuit Court of Appeals was without jurisdiction to determine said appeal. By a divided court, Respondent's said motion to dismiss said appeal was denied (115 F. 2nd 45), said court reserving until the argument of said appeal on the merits "Questions of appealability concerning the proposed amended answer's allegations, defensive in character to the allegations of the complaint and supplemental complaint, * * *" (115 F. 2nd 48). Circuit Judge Mathews dissented, saying: "Obviously, the order appealed from was not a final decision and hence was not appealable under Section 128(a) of the Judicial Code, * * *. Appellant concedes that the order was not appealable under Section 128(a), but contends that it was appealable under Sections 128(b) and 129 of the Judicial Code, * * *", and also said:– "The order here appealed from did not refuse an injunction. It merely refused leave to file a proposed amended and supplemental answer and a proposed amendment to a

---

*(except as to a part not in issue or material to the consideration of the Petition herein)

counterclaim. The proposed amended and supplemental answer did not pray for an injunction. The proposed amendment to the counterclaim, if it had been allowed, would have incorporated in the counterclaim a prayer for an injunction; but the proposed amendment was not allowed. Hence, no application for an injunction was ever made or presented. Much less was there a hearing upon such an application." (115 F. 2nd 48.)

Subsequently said Circuit Court of Appeals affirmed the order denying Petitioner's motion for leave to amend its answer and counterclaim (120 F. 2nd 959), again by a divided court, Circuit Judge Mathews reiterating his former dissenting opinion that for the reasons before expressed by him (115 F. 2nd 48) the appeal should be dismissed (120 F. 2nd 962).

In limine. Respondent points out this diversity of opinion of the judges constituting the said Court of Appeals respecting the jurisdiction of said court to consider Petitioner's said appeal. In the event that a writ of certiorari is granted herein, the scope of such writ should not be limited so as to prevent Respondent presenting this question of jurisdiction for determination by Your Honors. Otherwise, Petitioner's right to petition Your Honors to grant writ of certiorari to review and determine this jurisdictional question may be lost.

The instant case has not been tried on its merits in the district court or any final decree entered therein. Respondent's cause of action, dependent upon the validity and the infringement of its patents, or Petitioner's pleaded

defenses of anticipation, want of invention and non-infringement, have not been adjudged.

The decree of the Circuit Court of Appeals herein sought to be reviewed is upon a purely interlocutory matter and order. Said decree of said Court of Appeals on said interlocutory matter is no more a final decree than is the interlocutory order of the district court sought to be reviewed by Petitioner's appeal from the district court. *John Simmons Co. v. Grier Bros. Co.,* 258 U. S. 82, at 89, 66 L. ed. 475, at 479.

This Court has said:– "There are much stronger reasons against the interposition of this court to review a decree made by the circuit court of appeals on appeal from an interlocutory order, than in the case of a final decree. * * * Whether an interlocutory order may be separately reviewed by the appellate court in the progress of the suit, or only after and together with the final decree, is matter of procedure rather than of substantial right; and many orders made in the progress of a suit become quite unimportant by reason of the final result, or of intervening matters. Clearly, therefore, this court should not issue a writ of certiorari to review a decree of the circuit court of appeals or appeal from an interlocutory order, unless it is necessary to prevent extraordinary inconvenience and embarrassment in the conduct of the cause." *American Construction Co. v. Jacksonville, Tampa & Key West Ry. Co.,* 148 U. S. 372, at 384, 37 L. ed. 486, at 491.

The district court's order was a denial of Petitioner's motion for leave to file an amended and supplemental answer and for leave to file an amendment to its counterclaim (R. 340; *Cf.* opinions C.C.A. 115 F. 2nd at pp. 46, 48; 120 F. 2nd at pp. 959, 960, 962).

This suit was filed in the district court March 12, 1935; a supplemental bill was filed March 31, 1936; defendant-petitioner's answer was filed July 30, 1936, and its counterclaim was filed on December 15, 1936. The case therefore came within *R. C. P. Rule 86,* that in cases pending prior to the adoption of the new Rules of Civil Procedure, if in the opinion of the district court the application of such rules "would work injustice," the Equity Rules shall apply. Under either the Equity Rules or the new Rules of Civil Procedure, a defendant cannot amend as a matter of right without leave of the court. Motions to amend pleadings are addressed to the discretion of the district court. This was true under either *Equity Rule 19* or *Rule 15* or *Rule 13, subd. (f) R. C. P.* Respondent has been able to find no conflict of authority upon this interpretation of said Rules. *No conflict of decision with respect thereto is presented by the Petition herein. Cf. In-a-Floor Safe Co. v. Diebold S. & L. Co.,* 91 F. 2nd 341, 342 (C.C.A. 9); *Liverpool & London & Globe Ins. Co. v. Nebraska Storage Warehouses, Inc.,* 96 F. 2nd 30, 37 (C.C.A. 8); *American Grain Separator Co. v. Twin City Separator Co.,* 202 F. 202, 206 (C.C.A. 8).

There Is No Conflict of Decision Respecting the Rule of Law Upon Which the Court of Appeals Herein Predicates Its Decision.

(1) The Dismissal of the Appeal From the Order Denying Leave to Amend the Answer.

The Court of Appeals herein affirmed the order denying Petitioner's motion to file its Amended and Supplemental Answer upon the ground that, "The order denying leave to file the amendment to the answer obviously was not a final order so as to be appealable under Section 128(a) of the Judicial Code, 28 U.S.C.A. Sec. 225(a). Nor is it appealable under Section 128(b) or Section 129 of the Judicial Code. 28 U.S.C.A. Secs. 225(b) and 227. There is no basis for contending that it is an appeal from an order refusing an injunction by an interlocutory order or decree so as to bring it within the last mentioned sections, as was the case with the order denying leave to file the amendment to the counterclaim." (120 F. 2nd at 960.) The appeal from this portion of the interlocutory order was dismissed. *The Petition herein does not present any conflict of authority upon this interpretation of the statutes.*

(2) The Affirmance of the Order Denying Leave to Amend the Counterclaim.

The Court of Appeals (majority opinion, 120 F. 2nd at 960, *et seq.*) affirmed the district court's order denying leave to amend the counterclaim because:- "In the circumstances we are unable to hold that the District Court abused its discretion in refusing leave to amend." (120 F. 2nd at 962.) As pointed out in said majority opinion of the Court of Appeals:- "No attempt was made (in

the district court by Petitioner herein) to show diligence on the part of Hancock (Petitioner herein) to ascertain the facts alleged in the proposed amendment to the counterclaim, or to keep in touch with other suits involving the patents here involved." (120 F. 2nd at 961.) This although, as pointed out in said Court of Appeals' opinion, the case had been at issue on defendant's answer and counterclaim since December 15, 1936, and it was not until April 9, 1939, over two years thereafter, when Petitioner first served notice of its motion to the district court for permission to file the amended answer and the amendments to the counterclaim (120 F. 2nd at 959). The Petition herein does not attempt to controvert the facts so found and stated in the Court of Appeals' majority opinion, in view of which facts said court finds there was no abuse of discretion by the district court in denying said motion. *Neither Petitioner's petition nor brief in support thereof points out any conflict of decision between any decisions of the respective circuit courts of appeals, or any decision of this Court, respecting the applicability of said lack of diligence or the failure of the record to establish an abuse of discretion by the district court.* On the contrary, the appeal herein to the Circuit Court of Appeals sought review of an interlocutory order denying leave to amend, based upon a proper exercise of judicial discretion by the district court, in the exercise of which judicial discretion by the district court the Court of Appeals has found no abuse.

Equity Rule 19 provided:– "The court may at any time, in furtherance of justice, upon such terms as may be just, permit any process, proceeding, pleading or record to be amended, or material supplemental matter to be set forth in an amended or supplemental pleading. * * *"

Rule 15 R. C. P. provides:- "A party may amend his pleading once as a matter of course at any time before a responsive pleading is served, or, if the pleading is one to which no responsive pleading is permitted and the action has not been placed upon the trial calendar, he may so amend it at any time within 20 days after it is served.* Said rule further provides:- "Otherwise a party may amend his pleading only by leave of court or by written consent of the adverse party; and leave shall be freely given when justice so requires. * * *." (120 F. 2nd at 960.) As pointed out in the majority opinion of the Court of Appeals (120 F. 2nd at 961-62), the purported matters and things sought to be pleaded, both in the amendment to the answer and in the amendment to the counterclaim, were matters of record of many years standing. The patents in suit issued in 1921, 1924 and 1925, respectively. The alleged cross-licensing agreements, according to Par. XXVII. of the proposed answer, were entered into in 1921, 1923, 1928, 1930 and 1931. The so-called issue of "unclean hands" proposed to be presented by the proposed amendments of the answer and counterclaim were presented in the case of *Universal Oil Products Co. v. Winkler-Koch Eng. Co.* and *Globe Oil & Refining Co.*, in Equity No. 10,744 in the United States District Court for the Northern District of Illinois, in which on July 27, 1938, the district court finally determined that the plaintiff was not guilty of "unclean hands," as charged in the defendant's answer in that suit and as proposed to be alleged in the proposed amendment to the answer and counterclaim here-

---

*Petitioner herein cannot bring its motion within these provisions of this rule.

in. That case was *decided* approximately eight months before Petitioner served notice of its motion to amend its pleadings in the instant case. This is one of the prior adjudications referred to in the majority opinion of the Court of Appeals herein.– "It also appears that the trial court was presented with evidence to the effect that in one of these suits the alleged facts were tried and adjudged to be without merit." (120 F. 2nd at 962.) The record herein also discloses that the answer filed June 30, 1927 [R. 339] in the suit of *Universal Oil Products Co. v. The Texas Co.*, in the United States District Court for the Northern District of Illinois, for alleged infringement of the Dubbs Patent 1,392,629 (one of the patents herein sued upon) did not set forth any defense of "unclean hands" of plaintiff and made none of the allegations asserted in Par. XXVI. of the proposed amended answer. This although the so-called "unclean hands" defense is based upon purported facts and acts against and with which said The Texas Company was directly concerned, and as to the true facts said The Texas Company had full knowledge at all times.

The Petition herein presents solely as "The Questions Presented" (petition, p. 8): "Is the denial by the District Court in a patent infringement suit of the motion of Hancock for leave to file amendments to its answer and counterclaim a *gross abuse of discretion* * * *." The facts with respect to the lack of diligence in making the motions to amend are found in the majority opinion of the Court of Appeals, which specifically determines that there was no showing before the district court of any reason why the proposed amendments were not diligently presented; that by the exercise of reasonable diligence every one of such allegations and purported facts could

have been discovered as existent in divers answers and counterclaims in long previously pending suits, as to which a mere application to the file-wrappers of the respective patents in the United States Patent Office would have given full notice to Petitioner. These were matters of previous court records available to Petitioner, as pointed out in the majority opinion of the Court of Appeals herein. The Petition herein attempts (p. 8) to make a part of "The Questions presented" an assertion that the additional facts set up a valid, compulsory counterclaim for an injunction. *No conflict of decision* between the circuit courts of appeals and any decision of this Court is presented, respecting interpretation of *Subd. (f) of Rule 13 R.C.P.*; no decision is cited by Petitioner holding that *Rule 13, subd. (f)* makes it obligatory upon the district court to permit the presentation of an omitted counterclaim, regardless of the question of diligence, merely because it is a compulsory counterclaim. *Subd. (f)* of said *R. C. P. Rule 13* provides solely that such defendant may *"by leave of court"* set up the counterclaim by amendment. No decision is cited, and Respondent can find none, which holds that an application to amend under *Subd. (f)* of said *Rule 13* is not an appeal to the discretion of the district court under the presented facts of the instant case and motion. It would seem very strange indeed that the permission granted by *Subd. (f)* of said *Rule 13* is conditioned upon leave of court, if the district court, to whom such application is made, must grant such leave without regard to any question of diligence in presentation of the proposed amendment.

Conclusion.

It is respectfully submitted that the Petition for writ of certiorari herein should be denied.

The Petition presents only for review an interlocutory order. No final disposition of the suit has been made; no final decree entered. The case is an ordinary patent case. There is no conflict of decision respecting any of the matters urged by the Petition herein.

Respectfully submitted,

FREDERICK S. LYON,
LEONARD S. LYON,
Attorneys for Respondent.